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Evan H. Zucker

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EXAMINER

VEZERIS, JAMES A

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**Please find below and/or attached an Office communication concerning this application or proceeding.**

The time period for reply, if any, is set in the attached communication.

<b>Office Action Summary</b>	<b>Application No.</b> 10/798,212	<b>Applicant(s)</b> ZUCKER, EVAN H.	
	<b>Examiner</b> JAMES A. VEZERIS	<b>Art Unit</b> 3693	

-- The MAILING DATE of this communication appears on the cover sheet with the correspondence address --

### Period for Reply

A SHORTENED STATUTORY PERIOD FOR REPLY IS SET TO EXPIRE 3 MONTH(S) OR THIRTY (30) DAYS, WHICHEVER IS LONGER, FROM THE MAILING DATE OF THIS COMMUNICATION.

- Extensions of time may be available under the provisions of 37 CFR 1.136(a). In no event, however, may a reply be timely filed after SIX (6) MONTHS from the mailing date of this communication.
- If NO period for reply is specified above, the maximum statutory period will apply and will expire SIX (6) MONTHS from the mailing date of this communication.
- Failure to reply within the set or extended period for reply will, by statute, cause the application to become ABANDONED (35 U.S.C. § 133). Any reply received by the Office later than three months after the mailing date of this communication, even if timely filed, may reduce any earned patent term adjustment. See 37 CFR 1.704(b).

### Status

- 1) ☒ Responsive to communication(s) filed on 10 March 2004.
- 2a) ☐ This action is **FINAL**.                      2b) ☒ This action is non-final.
- 3) ☐ Since this application is in condition for allowance except for formal matters, prosecution as to the merits is closed in accordance with the practice under *Ex parte Quayle*, 1935 C.D. 11, 453 O.G. 213.

### Disposition of Claims

- 4) ☒ Claim(s) 1-38 is/are pending in the application.
- 4a) Of the above claim(s) \_\_\_\_\_ is/are withdrawn from consideration.
- 5) ☐ Claim(s) \_\_\_\_\_ is/are allowed.
- 6) ☒ Claim(s) 1-38 is/are rejected.
- 7) ☐ Claim(s) \_\_\_\_\_ is/are objected to.
- 8) ☐ Claim(s) \_\_\_\_\_ are subject to restriction and/or election requirement.

### Application Papers

- 9) ☒ The specification is objected to by the Examiner.
- 10) ☐ The drawing(s) filed on \_\_\_\_\_ is/are: a) ☐ accepted or b) ☐ objected to by the Examiner.  
Applicant may not request that any objection to the drawing(s) be held in abeyance. See 37 CFR 1.85(a).  
Replacement drawing sheet(s) including the correction is required if the drawing(s) is objected to. See 37 CFR 1.121(d).
- 11) ☐ The oath or declaration is objected to by the Examiner. Note the attached Office Action or form PTO-152.

### Priority under 35 U.S.C. § 119

- 12) ☐ Acknowledgment is made of a claim for foreign priority under 35 U.S.C. § 119(a)-(d) or (f).
- a) ☐ All    b) ☐ Some \*    c) ☐ None of:
1. ☐ Certified copies of the priority documents have been received.
  2. ☐ Certified copies of the priority documents have been received in Application No. \_\_\_\_\_.
  3. ☐ Copies of the certified copies of the priority documents have been received in this National Stage application from the International Bureau (PCT Rule 17.2(a)).

\* See the attached detailed Office action for a list of the certified copies not received.

### Attachment(s)

- |  |   |
|--|---|
| 1) <input checked="" type="checkbox"/> Notice of References Cited (PTO-892)          | 4) <input type="checkbox"/> Interview Summary (PTO-413)           |
| 2) <input type="checkbox"/> Notice of Draftsperson's Patent Drawing Review (PTO-948) | Paper No(s)/Mail Date. _____                                      |
| 3) <input type="checkbox"/> Information Disclosure Statement(s) (PTO/SB/08)          | 5) <input type="checkbox"/> Notice of Informal Patent Application |
| Paper No(s)/Mail Date _____  | 6) <input type="checkbox"/> Other: _____                          |

## **Detailed Action**

### **Specification Objections**

1. Examiner respectfully request that the applicant include a copy of both Section 1031 and 721 of the Internal Revenue Code.

### **Claim Rejections- 35 U.S.C. 101**

2. 35 U.S.C. 101 reads as follows:

Whoever invents or discovers any new and useful process, machine, manufacture, or composition of matter, or any new and useful improvement thereof, may obtain a patent therefor, subject to the conditions and requirements of this title.

Claims 1-19 of the present invention are directed to non-statutory subject matter.

A computer implemented method is possibly computer code per se and therefor not statutory subject matter. The examiner will examine the claims as if they are a method claim.

### **Claim Rejections- 35 U.S.C. 112 2<sup>nd</sup> Paragraph**

3. Claims 1, 8, 11, 20, 27, and 30 are rejected under 35 U.S.C. 112 2nd Paragraph. The claims refer to the being in accordance with Internal Revenue code. Since the claims deal with positive law, Section 1031 and Section 721, they are indefinite. Appropriate correction is required.

4. Claims 19 and 38 recite the limitations "the entity of claim 17" and "the entity of claim 36" in the body of the claims. There is insufficient antecedent basis for these limitations in the claims.

### **Claim Rejections- 35 U.S.C. 103(a)**

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5. The following is a quotation of 35 U.S.C. 103(a) which forms the basis for all obviousness rejections set forth in this Office action:

(a) A patent may not be obtained though the invention is not identically disclosed or described as set forth in section 102 of this title, if the differences between the subject matter sought to be patented and the prior art are such that the subject matter as a whole would have been obvious at the time the invention was made to a person having ordinary skill in the art to which said subject matter pertains. Patentability shall not be negated by the manner in which the invention was made.

6. Claims 1-38 are rejected under 35 U.S.C. 103(a) as being unpatentable over US PG-Pub 2002/0013750 to Roberts et al. (Hereinafter "Roberts") in view of the Internal Revenue Code (Hereinafter "IRC").

**Regarding 1 and 20.**

Roberts teaches a method for performing a tax-deferred transaction involving an investor owning a relinquished property, the method comprising the steps of:

exchanging in a computer system, said relinquished property for a replacement property, in accordance with the requirements of Section 1031 of the Internal Revenue Code; (Fig. 1, Paragraph 38 IRC 1031)

transferring in the computer system, said replacement property to an operating partnership wherein said operating partnership comprises operating partnership units; (See Fig. 1, Paragraph 38)

receiving in the computer system, said operating partnership units in exchange for said replacement property, in accordance with the requirements of Section 721 of the Internal Revenue Code. (See Fig. 1, Paragraph 38; IRC 721)

While Roberts teaches all exchanging relinquished property for a replacement property, transferring said replacement property to an operating partnership, and receiving operating partnership units in exchange for said replacement, It fails to teach

the specifics of IRC section 1031 and 721. However, sections 721 and 1031 give an explanation of how their requirements should be met.

It would therefor be obvious to a person having ordinary skill in the art at the time of the invention to modify Roberts to follow the requirements of Sections 721 and 1031 IRC. There is motivation to do so because it would prevent unnecessary taxes from being taken from the investor.

**Regarding 2 and 21.**

Roberts further teaches the operating partnership owns or controls an interest in the replacement property and wherein the step of exchanging in a computer system, said relinquished property for a replacement property includes the step of:

exchanging in the computer system, said relinquished property for said interest in said replacement property. (See Fig. 1, Paragraph 38)

While Roberts teaches exchanging said relinquished property for said replacement property, it fails to follow the IRC sections. However, the necessary steps are included in sections 721 and 1031 of the IRC.

Therefore it would have been obvious to a person having ordinary skill in the art at the time of the invention to modify Roberts to exchange said relinquished property for a replacement property according to IRC 721 and 1031. There is motivation to do so because it would prevent unnecessary taxes from being taken from the investor.

**Regarding 3 and 22.**

Roberts further teaches the step of transferring in the computer system, said replacement property to an operating partnership includes the step of:

providing to the operating partnership in the computer system, an option to purchase said replacement property at a predetermined price and during a predetermined range of time or at a predetermined time. (See Fig. 1, Paragraph 38, 39, and 40; IRC 1031)

While Roberts teaches an option to purchase said replacement property at a predetermined price and during a predetermined range of time or at a predetermined time, it fails to teach them in accordance with IRC 721 and 1031. However, the necessary steps are included in sections 721 and 1031 of the IRC.

Therefore it would have been obvious to a person having ordinary skill in the art at the time of the invention to modify Roberts, to allow for an option to purchase said replacement property at a predetermined price and during a predetermined range of time or at a predetermined time according to IRC 721 and 1031. There is motivation to do so because it insures that unnecessary taxes will not be taken from the investor.

**Regarding 4 and 23.**

Roberts further teaches transferring in the computer system, said replacement property to an operating partnership includes the step of:

leasing in the computer system, said replacement property to said operating partnership. (See Paragraph 27)

While Roberts teaches leasing said replacement property to said operating partnership it fails to teach doing so in compliance with IRC 721 and 1031. However, the necessary steps are included in sections 721 and 1031 of the IRC.

Therefore it would have been obvious to a person having ordinary skill in the art at the time of the invention to modify Roberts to allow for leasing in the computer system, said replacement property to said operating partnership in accordance with IRC 721 and 1031. There is motivation to do so because it insures that unnecessary taxes will not be taken from the investor.

**Regarding 5 and 24.**

Roberts further teaches the step of:  
providing to the operating partnership in the computer system, a right to purchase the replacement property. (See Paragraph 27)

While Roberts teaches a right to purchase the replacement property it fails to do so in accordance with IRC 721 and 1031. However, the necessary steps are included in sections 721 and 1031 of the IRC.

Therefore it would have been obvious to a person having ordinary skill in the art at the time of the invention to modify Roberts to allow for leasing in the computer system, said replacement property to said operating partnership in view of IRC 721 and 1031. There is motivation to do so because it insures that unnecessary taxes will not be taken from the investor.

**Regarding 7 and 26.**

Roberts further teaches said step of leasing is according to lease conditions and said lease conditions include a lease term of no more than eighty-percent of the useful life of the replacement property such that the value of the replacement property at the end of said lease term is not less than twenty-percent of the original cost of the

replacement property. (See Paragraph 27) Examiner notes that Roberts teaches an “interval specified in the master lease.” This allows for a lease to include a lease term of no more than eighty percent of the useful life of the replacement property.

While Roberts teaches the above, it fails to do so in accordance with IRC 721 and 1031. However, the necessary steps are included in sections 721 and 1031 of the IRC.

It would have been obvious to a person having ordinary skill in the art at the time of the invention to modify Roberts to allow leasing is according to lease conditions and said lease conditions include a lease term of no more than eighty-percent of the useful life of the replacement property such that the value of the replacement property at the end of said lease term is not less than twenty-percent of the original cost of the replacement property in accordance with IRC 721 and 1031. There is motivation to do so because it insures that unnecessary taxes will not be taken from the investor.

**Regarding 8 and 27.**

Roberts teaches a method for performing a tax-deferred transaction involving an investor owning a relinquished property, wherein said investor comprises an investor partnership, the method comprising the steps of:

selling in a computer system, said relinquished property; (Fig. 1, Paragraph 38)

transferring in the computer system, a first interest in said investor partnership to the operating partnership wherein said operating partnership comprises operating partnership units; (Fig. 1, Paragraph 38)



receiving in the computer system, said operating partnership units in exchange for said first interest in said investor partnership, in accordance with the requirements of Section 721 of the Internal Revenue Code; (See Fig. 1, Paragraph 38; IRC 721)

obtaining in the computer system, a replacement property in exchange for said relinquished property, in accordance with the requirements of Section 1031 of the Internal Revenue Code; (See Fig. 1, Paragraph 38; IRC 1031)

transferring in the computer system, a second interest in said investor partnership to the operating partnership in exchange for additional operating partnership units, in accordance with the requirements of Section 721 of the Internal Revenue Code, wherein said second interest comprises a remaining interest in said investor partnership. (See Fig. 1, Paragraph 38; IRC 721) Examiner notes that Roberts does not limit the amount that an interest in the investor partnership can occur. An exchange that occurs multiple times is not patentably distinguishable from a similar exchange that occurs once.

While Roberts teaches all exchanging relinquished property for a replacement property, transferring said replacement property to an operating partnership, and receiving operating partnership units in exchange for said replacement, It fails to teach the specifics of IRC section 1031 and 721. However, sections 721 and 1031 give an explanation of how their requirements should be met.

It would therefor be obvious to a person having ordinary skill in the art at the time of the invention to modify Roberts to follow the requirements of Sections 721 and 1031

IRC. There is motivation to do so because it would prevent unnecessary taxes from being taken from the investor.

**Regarding 9 and 28.**

Roberts further teaches said first interest in said investor partnership is a maximum of 49.9 percent of the total capital interest and ninety percent of the total profits interest of said investor partnership. (IRC 721)

While Roberts teaches said investor partnership not gaining control over the interest it fails to do so in accordance with IRC 721. However, the necessary steps are included in section 721 of the IRC.

Therefore it would have been obvious to a person having ordinary skill in the art at the time of the invention to modify Roberts to allow, said first interest in said investor partnership to be a maximum of 49.9 percent of the total capital interest and ninety percent of the total profits interest of said investor partnership in accordance with IRC 721. There is motivation to do so because it insures that unnecessary taxes will not be taken from the investor and that the main entity of the investor partnership never loses control of the entity.

**Regarding 10 and 29.**

Roberts further teaches said second interest comprises all remaining interest in said investor partnership. (See Paragraph 38) Examiner notes that while Roberts allows for other interest it does not exclude the possibility of just two interests.

While Roberts teaches said second interest comprises all remaining interest in said investor partnership, it fails to do so in accordance with IRC 721 and 1031. However, the necessary steps are included in sections 721 and 1031 of the IRC.

Therefore it would have been obvious to a person having ordinary skill in the art at the time of the invention to modify Roberts to allow, said second interest comprises all remaining interest in said investor partnership in accordance with IRC 721 and 1031. There is motivation to do so because it insures that unnecessary taxes will not be taken from the investor.

**Regarding 11 and 30.**

Roberts further teaches said second interest comprises less than all remaining interest in said investor partnership, said method further including the step of:

transferring in the computer system, one or more additional remaining interests in said investor partnership to the operating partnership in exchange for additional operating partnership units, in accordance with the requirements of Section 721 of the Internal Revenue Code, wherein said one or more additional remaining interests comprise all remaining interest in said investor partnership. (See Paragraph 38; IRC 721)

While Roberts teaches transferring in the computer system, one or more additional remaining interests in said investor partnership to the operating partnership in exchange for additional operating partnership units, in accordance with the requirements of Section 721 of the Internal Revenue Code, wherein said one or more additional remaining interests comprise all remaining interest in said investor

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partnership, it fails to do so in accordance with IRC 721 and 1031. However, the necessary steps are included in sections 721 and 1031 of the IRC.

Therefore it would have been obvious to a person having ordinary skill in the art at the time of the invention to modify Roberts to allow, said second interest comprises all remaining interest in said investor partnership in accordance with IRC sections 721 and 1031. There is motivation to do so because it insures that unnecessary taxes will not be taken from the investor.

**Regarding 12 and 31.**

Roberts further teaches the step of transferring in the computer system, a second interest in said investor partnership, includes the step of:

providing to the operating partnership in the computer system, an option to purchase said second interest at a predetermined price and during a predetermined range of time or at a predetermined time. (See Paragraph 27)

While Roberts teaches providing to the operating partnership an option to purchase said second interest at a predetermined price and during a predetermined range of time or at a predetermined time, it fails to do so in accordance with IRC 721 and 1031. However, the necessary steps are included in sections 721 and 1031 of the IRC.

Therefore it would have been obvious to a person having ordinary skill in the art at the time of the invention to modify Roberts to allow, providing to the operating partnership in the computer system, an option to purchase said second interest at a predetermined price and during a predetermined range of time or at a predetermined

time in accordance with IRC 721 and 1031. There is motivation to do so because it insures that unnecessary taxes will not be taken from the investor.

**Regarding 13 and 32.**

Roberts further teaches the step of transferring in the computer system, a second interest in said investor partnership, includes the step of:

providing to the investor partnership in the computer system, an option to sell said second interest at a predetermined price and during a predetermined range of time or at a predetermined time. (See Paragraph 27)

While Roberts teaches providing to the investor partnership and option to sell to a second interest at a predetermined price and during a predetermine range of time or a determined time, it fails to do so in compliance with IRC 721 and 1031. However, the necessary steps are included in sections 721 and 1031 of the IRC.

Therefore it would have been obvious to a person having ordinary skill in the art at the time of the invention to modify Roberts to allow, providing to the investor partnership in the computer system, an option to sell said second interest at a predetermined price and during a predetermined range of time or at a predetermined time in accordance with sections 721 and 1031 of the IRC. There is motivation to do so because it insures that unnecessary taxes will not be taken from the investor.

**Regarding 14 and 33.**

Roberts further teaches, further comprising an entity comprising one of a trust or corporation, said entity having shares, and said entity being a general partner in said operating partnership, wherein said operating partnership units are valued based on the

value of said shares of said entity. (See Paragraph 24) Examiner notes that tenant-in-common is the corporation.

While Roberts teaches said operating partnership units are valued based on the value of said shares of entity it fails to do so in accordance with sections 721 and 1031 of the IRC. However, the necessary steps are included in sections 721 and 1031 of the IRC.

Therefore it would have been obvious to a person having ordinary skill in the art at the time of the invention to modify Roberts to allow, an entity comprising one of a trust or corporation, said entity having shares, and said entity being a general partner in said operating partnership, wherein said operating partnership units are valued based on the value of said shares of said entity in accordance with sections 721 and 1031 of the IRC. There is motivation to do so because it insures that unnecessary taxes will not be taken from the investor.

**Regarding 15 and 34.**

Roberts further teaches comprising an entity comprising one of a trust or corporation, said entity being a general partner in said operating partnership, said method further comprising the step of:

redeeming in the computer system, at least some of said exchanged operating partnership units for cash. (See Paragraph 27) Examiner notes fair market value inherently means a cash value.

While Roberts teaches redeeming in the computer system, at least some of said exchanged operating partnership units for cash it fails to do so in compliance with IRC

721 and 1031. However, the necessary steps are included in sections 721 and 1031 of the IRC.

Therefore it would have been obvious to a person having ordinary skill in the art at the time of the invention to modify Roberts to allow, redeeming in the computer system, at least some of said exchanged operating partnership units for cash in accordance with sections 721 and 1031. There is motivation to do so because it insures that the investor can receive part of their investment back.

**Regarding 16 and 35.**

Roberts and IRC further teach comprising an entity comprising one of a trust or corporation, said entity being a general partner in said operating partnership, said method further comprising the step of:

redeeming in the computer system, at least some of said exchanged operating partnership units for said shares in said entity. (See Paragraph 27)

While Roberts teaches redeeming in the computer system, at least some of said exchanged operating partnership units for said shares in said entity it fails to do so in compliance with sections 721 and 1031 of the IRC. However, the necessary steps are included in sections 721 and 1031 of the IRC.

Therefore it would have been obvious to a person having ordinary skill in the art at the time of the invention to modify Roberts to allow, redeeming in the computer system, at least some of said exchanged operating partnership units for said shares in said entity in accordance with IRC 721 and 1031. There is motivation to do so because it insures that the investor can receive part of their investment back.

**Regarding 17 and 36.**

Roberts and IRC further teach said entity is a real estate investment trust. (See IRC 721) Examiner notes that LLC inherently include Real Estate Investment trusts.

While Roberts teaches said entity is a real estate investment trust, it fails to teach so in accordance with sections 721 and 1031 of the IRC. However, the necessary steps are included in sections 721 and 1031 of the IRC.

Therefore it would have been obvious to a person having ordinary skill in the art at the time of the invention to modify Roberts to allow, said entity is a real estate investment trust in accordance with sections 721 and 1031 of the IRC. There is motivation to do so because it insures that the investor can spread risk amongst other investors.

**Regarding 18 and 37.**

Roberts and IRC further teach said operating partnership owns a plurality of assets. (Paragraph 25)

While Roberts teaches said operating partnership owns a plurality of aassets, it fails to do so in compliance with IRC 721 and 1031. However, the necessary steps are included in sections 721 and 1031 of the IRC.

Therefore it would have been obvious to a person having ordinary skill in the art at the time of the invention to modify Roberts to allow, said operating partnership to own a plurality of assets in accordance with sections 721 and 1031 of the IRC. There is motivation to do so because it insures that the investor can spread risk amongst other



investments.

**Regarding 19 and 38.**

Roberts and IRC further teach the entity of claim 17 (36) comprises real estate investment trust units, and wherein said plurality of assets includes one or more assets selected from the group including real property, interests in real property, shares in a real estate investment trust other than the entity of claim 17 (36), units in a real estate investment trust other than the entity of claim 17 (36), units in mortgages, and units in a operating partnership other than the operating partnership of claim 18 (37). (See Paragraph 25 and 27)

While Roberts teaches the entity of claim 17 (36) comprises real estate investment trust units, and wherein said plurality of assets includes one or more assets selected from the group including real property, interests in real property, shares in a real estate investment trust other than the entity of claim 17 (36), units in a real estate investment trust other than the entity of claim 17 (36), units in mortgages, and units in a operating partnership other than the operating partnership of claim 18 (37). It fails to do so in compliance with sections 721 and 1031 of the IRC. However, the necessary steps are included in sections 721 and 1031 of the IRC.

Therefore it would have been obvious to a person having ordinary skill in the art at the time of the invention to modify Roberts to allow, the entity to comprise real estate investment trust units, and wherein said plurality of assets includes one or more assets selected from the group including real property, interests in real property, shares in a real estate investment trust other than the entity, units in a real estate investment trust,

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units in mortgages, and units in a operating partnership other than the operating partnership in accordance with sections 721 and 1031 of the IRC. There is motivation to do so because it insures that the investor can spread risk amongst other investments.

7. Claims 6 and 25 are rejected under 35 U.S.C. 103(a) as being unpatentable over Roberts in view of the IRC in further view of US Patent 5680305 to Apgar.

**Regarding 6 and 25.**

Kemp along with IRC teach the dependent claim, however they fail to teach:

calculating in the computer system, lease payments for said replacement property based on comparable property leasing rates. However Apgar does. (See Col 2 lines 4-39)

Therefore it would have been obvious to a person having ordinary skill in the art at the time of the invention to modify Roberts and IRC to allow, calculating lease payments for said replacement property based on comparable property leasing rates. There is motivation to do so because it insures that the investor and operator are paying and being paid the appropriate amount.

**Conclusion**

Any inquiry concerning this communication or earlier communications from the examiner should be directed to JAMES A. VEZERIS whose telephone number is (571)270-1580. The examiner can normally be reached on Monday-alt. Fridays 7:30am-5:00pm.

If attempts to reach the examiner by telephone are unsuccessful, the examiner's supervisor, James Kramer can be reached on 571-272-6803. The fax phone number for the organization where this application or proceeding is assigned is 571-273-8300.

Information regarding the status of an application may be obtained from the Patent Application Information Retrieval (PAIR) system. Status information for published applications may be obtained from either Private PAIR or Public PAIR. Status information for unpublished applications is available through Private PAIR only. For more information about the PAIR system, see <http://pair-direct.uspto.gov>. Should you have questions on access to the Private PAIR system, contact the Electronic Business Center (EBC) at 866-217-9197 (toll-free). If you would like assistance from a USPTO Customer Service Representative or access to the automated information system, call 800-786-9199 (IN USA OR CANADA) or 571-272-1000.

/James A. Kramer/  
Supervisory Patent Examiner, Art Unit 3693

/JAMES A VEZERIS/  
Examiner, Art Unit 3693

February 19, 2008